

**Financial Markets & Institutional Reform-Regulatory Activity - (FIRE-R)**

In July 2001, after a hiatus of three years (1998-2001), USAID resumed international technical assistance support to India's financial markets related reform initiatives, under the aegis of the Financial Institutions Reform and Expansion (FIRE-R) program.

It may be noted that the first phase (1995-98) of the FIRE-R program helped (a) establish a state-of-the-art securities depository; (b) implement robust clearing and settlement systems and practices; (c) strengthen Securities and Exchange Board of India (SEBI)'s oversight capacity; (d) develop legal, regulatory and institutional frameworks for exchange traded financial futures and options; and (e) improve disclosure and market conduct practices in the mutual fund industry through the Association of Mutual Funds in India (AMFI).

The current phase of the program is assisting SEBI and the Ministry of Finance (Government of India) address issues related to (a) the design and implementation of a comprehensive surveillance system for cash and derivatives markets; (b) the enhancement of SEBI's institutional capacity in on-site and off-site supervision, and enforcement; (c) the implementation of a regulatory framework for licensing, testing and certification of market intermediaries that interface with investors; and (d) the development of curriculum, teaching manual and train a cadre of law school professors to introduce teaching of securities laws and regulations in Indian law schools.

In 1999, the Government of India enacted the Insurance Regulatory and Development Authority (IRDA) Act to pave the way for the participation of private insurance companies (both domestic and international) in the Indian insurance market and the establishment of IRDA as the regulatory body to supervise the insurance industry. The current phase of the FIRE-R program is also providing technical assistance to IRDA to develop a safe and vibrant insurance market in India.

**Implementation**

USAID has procured the services of the IBM Business Consulting Services (formerly PricewaterhouseCoopers) to provide technical assistance and training support to SEBI in the areas mentioned above. In addition, USAID has an agreement with the U.S. Securities and Exchange Commission (SEC) to help build SEBI's competence in rulemaking, oversight and inspection of self-regulatory organizations, development of disclosure and reporting standards, investigation and enforcement, and investor education. The \$9.5 million IBM contract ends on November 30, 2004. The completion date for the agreement with the SEC is October 31, 2004.

USAID has procured the services of the Bearing Point (Formerly KPMG Consulting) to assist IRDA in the development of a legal, regulatory and institutional framework of international standards for the Indian insurance market. The \$10 million Bearing Point technical assistance contract runs through May 26, 2007.

**Current Status**

FIRE-R is assisting SEBI and the Government of India:

- In the design and implementation of an integrated surveillance system for the equity and derivatives markets. USAID procured the services of the National Association of Securities Dealers (NASD) to help SEBI with a high-level design of such a system.
- In the establishment of a securities market training and research institute with international collaboration.
- In the development of a conceptual framework for the regulation of intermediaries who provide investment advice to investors with regard to all kinds of financial products including equity, bonds, insurance, pension, corporate deposits and other savings products.
- In the development of a regulatory framework for improving the quality of financial advice available to Indian retail investors.

FIRE-R assistance to IRDA began in July 2003. Since then, the Bearing Point consultants are assisting IRDA:

- In the development of its institutional competence in the on- and off-site examination of insurance;
- In bringing actuarial profession up to the international standards;
- In the development of regulatory framework for micro insurance;
- In the implementation of the IT-enabled Insurance Supervisory System; and
- In building an enabling regulatory environment for private health insurance.